THE NEW METRICS FOR EMAIL MARKETING

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ENGAGING EMAIL IS STRATEGIC EMAIL

Engaging email is strategic email, and as we've learned, traditional email campaigns are not strategic. To achieve strategic value, email marketers need better metrics.

Using the right metrics doesn't just help you finesse what you're sending to your recipients and when you're sending it. Appropriate metrics also let you measure the worth of your marketing tactics.

> "Bottom line, with email driving more revenue and ROI than its digital marketing brethren, it is well positioned for a healthy and long future."
>
> **– Simms Jenkins**
> **Founder & CEO BrightWave**

Top executives in your company care about things like:

- Driving customer engagement
- Measuring and proving ROI
- Beating the competition
- Making buyers happy and customers successful
- Controlling risk
- Managing and leveraging the growing complexity of changing buyer behaviors, channels, and technologies
- Growing revenue and "making the number"

It's no secret that top executives don't really care about the Open Rate or Click-through Rate of your last email campaign. If you can't convince your top executives to care about email, you won't get the budget or resources you need to make email a core part of your strategic marketing plan, and won't be able to take advantage of its potential.

In this part of our guide, we'll cover best practices for using traditional email metrics. Then we'll introduce a new email metric for engagement, and also explain how you can strategically tie email to revenue.

Strong relationship between strategy and email marketing results

Top email performers spend significantly more time on strategy than their counterparts. In fact, the Marketo Benchmark on Email Marketing found that top performers spend more than three times the amount of time per month on email strategy than average performers do:

	Avg.	Top Performers
Hours Per Month	62	123
Creative (design and copy)	23%	20%
Segmentation and targeting	12%	13%
Strategy	14%	22%
Email layout and processing	18%	17%
Reporting	10%	13%
Content creation	23%	16%

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THE NEW METRICS FOR EMAIL MARKETING
EMAIL MEASUREMENT BASICS

Before we discuss sophisticated measurement strategies, let's review the common metrics used by ESPs. We'll define each one, where appropriate, share benchmark values for average companies and top-performers, and share tips for how-to results.

Here are the seven most common email metrics:

1. Sent
2. Delivered
3. Bounced
4. Opens / Open Rate
5. Clicks / Click Rate / Click to Open Rate
6. Unsubscribe Rate
7. Marked as Spam

Sent

Definition: Your sent metric is the number of emails that actually moved through the sending mail server (your ESP). This may or may not be the same as addresses on your sending list; it depends upon how your ESP tracks what's been sent (whether or not it includes "bad" email addresses in the final count). Remember, while some of your emails are sent to bad addresses, they certainly don't get received. Marketo defines Sent as the number of valid contacts who were sent an email.

How to optimize: If your goal is to increase the number of emails sent, you have to grow your contact list! But for this to work, your list also has to be healthy. The healthier your list, the more emails are sent successfully.

Delivered

Definition: Delivered refers to the number of emails that were sent and not rejected by a receiving server. It's important to understand that Delivered does not mean it landed in the recipient's inbox. Marketo defines Delivered as the number of contacts who were successfully delivered at least one message.

How to optimize: Again, ensure that your email list is healthy; take precautions to prevent bad email addresses or spam traps from being added to your list. For a refresher, refer to Part 2, where we covered the ways to build and maintain a healthy list.

Keep in mind that some Email Service Providers (ESPs) might use different terminology for these metrics. Your provider can probably help you map our terms to theirs.

EMAIL MEASUREMENT BASICS

Bounced

Definition: Bounced email is the opposite of Delivered email. There are two types of bounces:

1. *Hard bounces* are messages that are permanently rejected (emails denied due to an invalid email address or because the recipient's server has blocked the sender's server).

2. *Soft bounces* are messages that are temporarily rejected because the recipient's mailbox is full, the server is down, or the message exceeds the size limit set by the recipient or ESP. Too many soft bounces to one address can eventually result in a permanent hard bounce.

In both cases, Marketo defines Bounced as the number of people (contacts) who were sent a message that bounced.

The Value of Engagement: The Marketo Benchmark on Email Performance found that top performers had lower bounce rates:

- Average companies: 2.1 – 5.0%

- Top performers: < 2.0%

How to optimize: Be proactive about preventing bounces:

- Your email provider should automatically remove recipients who bounce from your mailing list for future sends, but be sure to process soft bounces, such as "out of office" messages differently.

- Use a real-time email validation service to minimize the chance of a subscriber entering a bad email address — accidentally or on purpose.

- Scan your list(s) and check for obvious typos, like a missing period or mistyped domain name (myemail@aol, myemail@aolcom, etc.). These errors can be fixed on the spot.

- Provide a way for recipients to update their own email addresses. An online Subscription Center is a logical place for information updates. Keep in mind, though, that instead of navigating to the Web, subscribers will often click "reply" on a message to alert you to a change to their contact information. If you receive these replies, update your list quickly. (This is another reason to have a human managing your email replies, rather than using do-not-reply email addresses!)

- Consider calling or direct mailing recipients whose emails bounce to let them know that there's a problem with their addresses. You definitely want to keep in touch with recipients you believe have the potential to be high-value customers.

- Monitor delivery rates by domain. Track your Open Rates and Bounce Rates according to the sent-to domains. If the Bounce Rates for one domain are significantly higher than the others, your campaign might be the victim of spam filtering.

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Opens / Open Rate

Definition: How many recipients opened (viewed) the email. Marketo defines Opens as the number of contacts who opened the email at least once, and the Open Rate as the number of opens / number of leads delivered.

Note that some ESPs report Total Opens versus Unique Opens. Total Opens include every instance of a recipient opening an email. In other words, if one subscriber opens the same email ten times, then it will be reported as ten Opens instead of one. Unique Opens signifies that no matter how many times a single subscriber opens the same email, it counts only as one time.

Opens are tracked by adding a small, personalized image ("pixel") to the email. As soon as the image renders, the ESP will register that the email has been opened. Note that this means Opens is a difficult metric to track, and there is also no guarantee that an email opened was an email read.

Some challenges:

- If a subscriber loads an email with "images on" in the preview pane, the ESP will record as Open even if she doesn't actually look at it.

- The ESP will record an Open if she selects it (opens it briefly) in order to delete it.

- If email preferences are set to "images off," it's entirely possible for the subscriber to authentically open and read your email without it being registered as an Open. As we mentioned earlier, most email clients do block images by default.

The bottom line is, the Open Rate is not 100% accurate, but it does serve as a good proxy for whether emails are being read, and as a relative measure to compare emails against each other.

The Value of Engagement: The Marketo Benchmark on Email Performance found that top performers had significantly higher open rates, showing the value of trust and quality targeting:

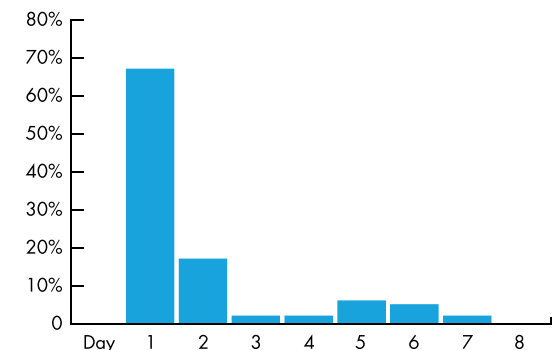- Average companies: 10-15%

- Top performers: 16-20%

How to optimize: The Open Rate is primarily influenced by the following factors:

1. **Targeting** – If your list is focused and well-targeted, your recipients will more likely value your email and open it.

2. **The From Name** – A recipient is more likely to open your email if she recognizes (and trusts) the sender.

3. **The Subject Line** – The subject line, or headline, is what sells your email. It plays a huge role in whether your

email gets opened, deleted, ignored, or marked as spam. As we detailed in Part 3, there are many ways you can design an effective subject line: long or short, straightforward or intriguing, etc. Again, test options to know which style is best for your campaign.

You can also increase the odds of recipients opening your emails if you remove from your list the contacts who have not opened your emails in the last six months.

Marketo's Open Rate Results: When Marketo sends email campaigns, about 75% of those emails are opened the day they are sent.

EMAIL MEASUREMENT BASICS

Clicks / Click Rate / Click-to-Open Rate

Definition: When a subscriber clicks on a link, button, or image within your message, a Click is recorded. Marketo defines total Clicks as the number of people (contacts) who click at least one link in the email. In other words, like the Open Rate, no matter how many times a recipient clicks on the link(s), only one Click is recorded. Counting in this way provides a better measure of how many subscribers are truly engaged. This also ensures the Click Rate cannot be greater than 100%.

Click Rate equals the total number of Clicks divided by the total number of emails delivered (or, depending on the measure used, sent). The Click-to-Open (CTO) Rate is the total number of Clicks (per subscriber) divided by the total number of Opens. This means that Click Rate = Open Rate x Click-to-Open Rate.

Marketers often pay more attention to the CTO than the Click Rate, since the CTO helps to separate the reasons for opening from the reasons for clicking.

The Value of Engagement: In the Marketo Benchmark on Email Performance, that top performers had better click rates and click-to-open rates:

Click Rate:

- Average companies: 2.1 – 5.0%
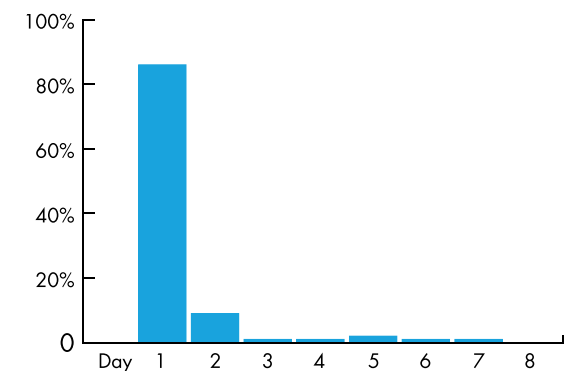- Top performers: 5.1 – 10%

Click to Open Rate:

- Average companies: 11 – 15%
- Top performers: 16 – 20%

How to optimize: The unique Click Rate is a good indicator of how effective your content and your calls to action (CTAs) are within your email. If people are opening your emails but your Click Rate is low (or trending down), this usually means you need to tweak both your content and your CTAs.

- **Make It Easy:** Your CTA should be obviously placed (not hidden on the page) and include plain, clear language. Don't make your audience work to find or interpret it.

- **Multiple Links:** Test your CTA using multiple links for the same action. Try using an image link, one button link, and multiple links inline within the copy, each with different anchor text. Including many links to the same destination has been shown to improve email Click Rates.

- **Test, Test, Test:** If you've tested everything else, try testing the color of your CTA button. When it comes to your CTA Click Rate, testing is vital.

- **Create Scarcity:** Offering a deal for a limited time (or to a limited number of people) creates scarcity and a clamoring for the bargain. Subscribers often fear that they'll miss out if they don't act fast.

Marketo's Click Rate Results: When Marketo sends email campaigns, 2/3 of our recipients click them the day they're sent.

EMAIL MEASUREMENT BASICS

Unsubscribe Rate

Definition: The number of contacts who click the "unsubscribe" link in an email and then follow through to successfully opt out.

The Value of Engagement: The Marketo Benchmark on Email Performance found that top performers had lower overall unsubscribe rates:

- Average companies: 0.11 – 0.20%

- Top performers: < 0.10%

How to optimize: In this case optimize means to shoot for the lowest number possible while avoiding being marked as spam. If someone wants off your list, it's far better for him to unsubscribe than to point a finger at you, so don't hide your unsubscribe link. Instead, place it in the footer of your message, because that's where we marketers have trained subscribers to look for it. To make sure that subscribers see the link, some companies also include an option to unsubscribe, along with friendly language, closer to the top of the email.

Then, once someone is on your unsubscribe page, use the various options described in Part 2 to let them manage their subscription and perhaps not unsubscribe completely.

Marked-as-Spam Rate

Definition: The number of subscribers who reported your email as spam, divided by the number sent or delivered.

How to optimize: You want to do whatever you can to bring the Marked as-Spam-rate to the lowest number possible — ideally, zero. The more engaging you are, the fewer spam complaints you'll receive. Remember your goal: send timely, targeted, valuable, human content to people who have requested it.
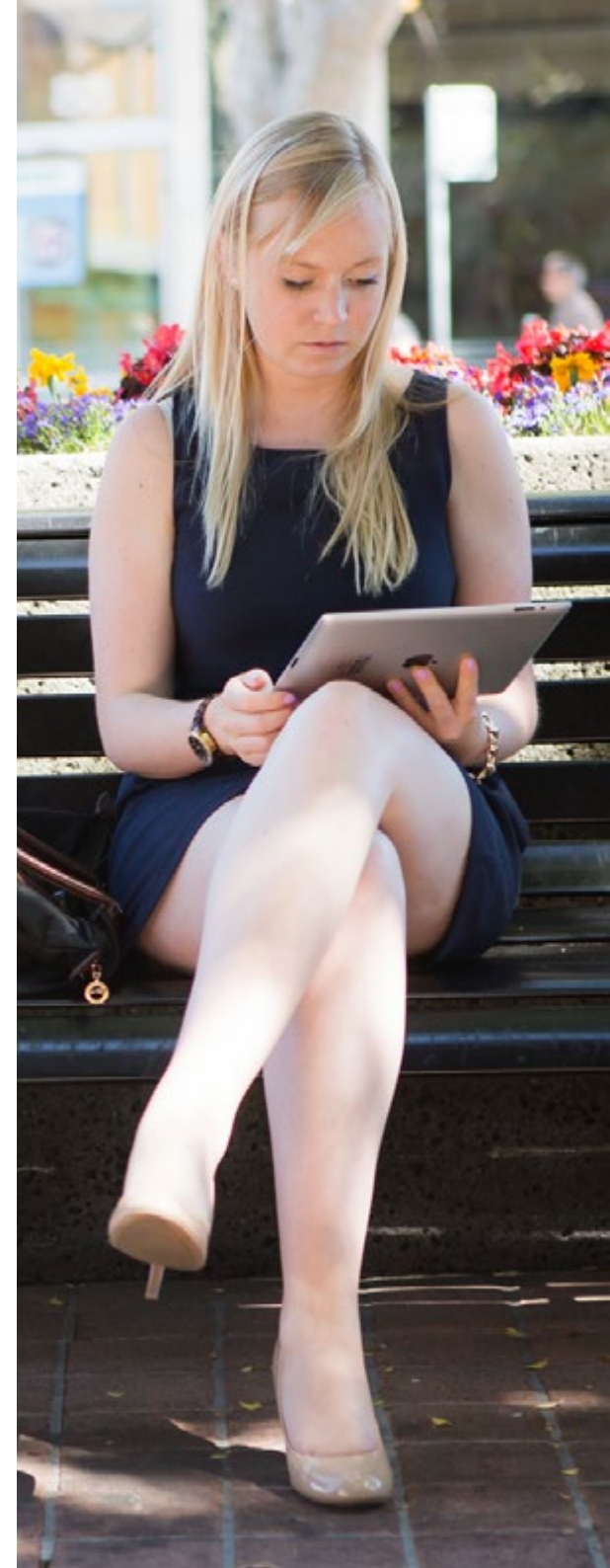
Marketo follows these rules when computing our email metrics:
Rule #1: Each email activity record is set to one — and only one — of the following values: Delivered, Hard Bounce, Soft Bounce, or Pending.
Rule #2: If the email record shows Opened, then it is counted as Delivered.
Rule #3: If the email record shows Clicked Email or Unsubscribed, then it is Opened and, therefore, counted as Delivered.
Rule #4: If the email is Opened, then any bounce is ignored. Otherwise, a Hard Bounced "wins" even if the email record shows Soft Bounced or Delivered.
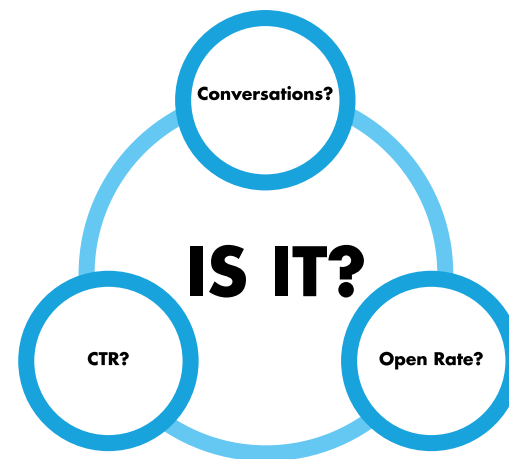
ENGAGEMENT

Engagement is more than an idea or a buzzword; it's a tangible way of interacting with consumers one-to-one across channels by listening, acting, and analyzing. With the right tools, engagement metrics can be managed and increased.

Operational metrics, such as Opens and Clicks, are not ideal for measuring engagement. Consider the following testing scenario:

- Email A has a high Open Rate.

- Email B has a high Click Rate.

- Email C has a high Conversion Rate.

Which of these emails had the best engagement? With traditional ESP solutions, no real insight is given into whether a campaign has actually engaged customers or deepened relationships. A marketer must pore over multiple reports and then apply guesswork to determine how an email performed in terms of engagement.

In order to accurately measure engagement, **you need a way to combine all the metrics of traditional ESPs — Open Rate, Click Rate, Conversion Rate, Unsubscribe, etc. — into one single measure.**

Conversations?

IS IT?

CTR?

Open Rate?

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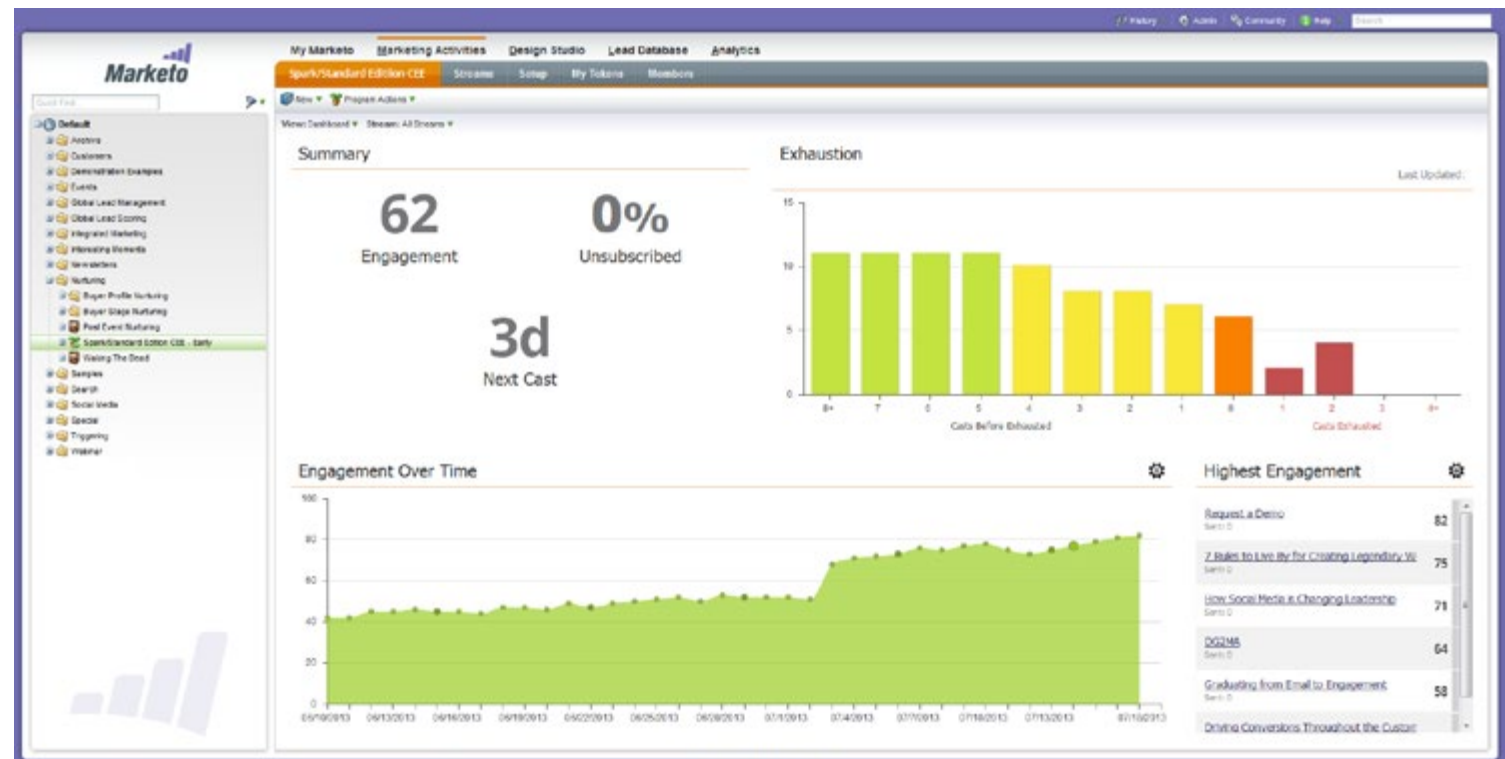# ENGAGEMENT

Marketo Engagement Metric

The Marketo Engagement Score is a proprietary algorithm that our Data Science Team created to determine exactly how engaging each message is. It combines multiple data points — Clicks, Opens, Conversions, Unsubscribes, Program Successes, etc. — and then applies a statistical algorithm to create a single measure of engagement.

Our Engagement Score provides a standard way to measure the engagement of your messages over time, not just as isolated standalone incidents. With this new level of measurement, you can best accomplish the following:

- Fine-tune to improve the engagement of campaigns, continuously.

- See how the changes you make improve engagement over time.

- Test different messages and content streams against each other to find which are the most engaging.

This metric takes the guesswork out of your marketing metrics and applies a tangible number that you can wield when making future marketing decisions — not just decisions regarding email campaigns, but also those relating your entire omni-channel strategy.

TRUE FINANCIAL METRICS

A riveting subject line or persuasive email copy is only as good as the revenue it generates: you don't just want Opens; you want actual sales.

Many email marketers obsess over traditional ESP metrics without ever connecting them to important financial numbers. This is not their fault — traditional ESPs don't provide the functionality to make this sort of connection.
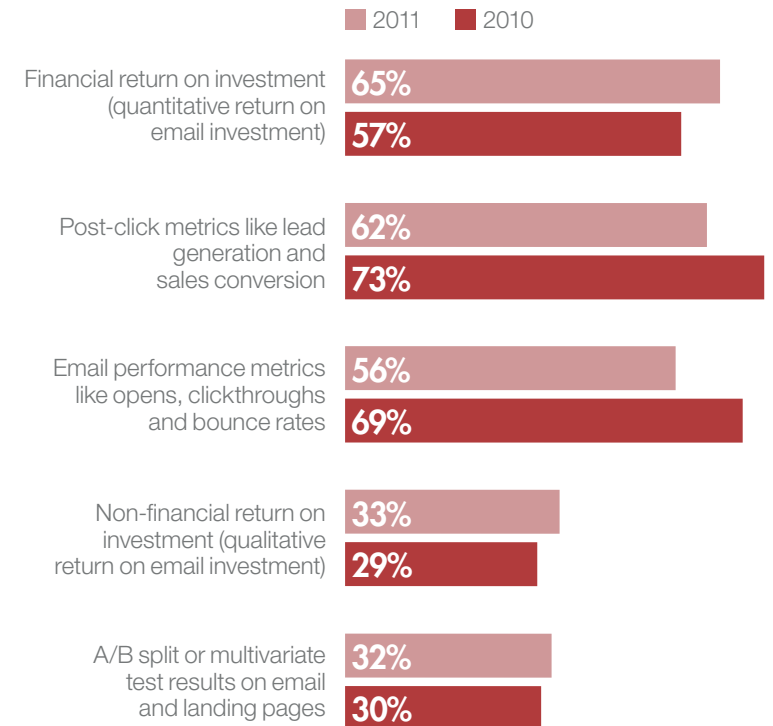
When you measure Opens and Clicks without comparing them to bigger-picture financial metrics, you'll generally always come to the same conclusion: **You need to send more emails. But more emails isn't always a good idea.**

Email measurement is moving beyond Opens and Clicks and toward true financial metrics, such as Revenue Impact and ROI.

Mapping Marketing Back to Revenue

MarketingSherpa asked CMOs and senior marketing executives about the importance of various factors in measuring the value of email marketing programs, and found a shift in the factors used by CMOs. While basic metrics used to be considered sufficient, they aren't anymore. According to the survey, "today, CMOs presume email will provide a financial return on investment."

	2011	2010
Financial return on investment (quantitative return on email investment)	65%	57%
Post-click metrics like lead generation and sales conversion	62%	73%
Email performance metrics like opens, clickthroughs and bounce rates	56%	69%
Non-financial return on investment (qualitative return on email investment)	33%	29%
A/B split or multivariate test results on email and landing pages	32%	30%

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TRUE FINANCIAL METRICS

How to measure revenue impact of email programs

In its 2013 Digital Marketing Report, Experian noted that 35% of marketers cited response attribution as the most challenging multi-channel marketing issue for their organizations.

To become more strategic about measuring financial metrics in email marketing, start by recognizing that the consumer rarely makes a purchase as a result of a single campaign. Conventional marketing wisdom proposes that at least seven successful "touches" (forms of engagement) are needed in order to convert a cold prospect into a buyer.

Sometimes companies attempt to tie revenue to either a customer's first touch or his last. But a better strategy is to allocate the value of every engagement across all of the marketing efforts that customer touched. Here's how.

Step 1:
Count All the Successful Touches

In an omni-channel scenario, successful touches can happen across numerous channels. Perhaps the customer's last touch point was your website, but prior to hitting "buy," he spent time in an email, on your Facebook page, and on your Twitter feed. He may have even gone into a brick-and-mortar store before committing to the purchase online (or vice versa). When collecting all your touches, be sure to only count those that occurred before the action was taken — those that led to the action.

Step 2:
Assign Value to the Final Action

You might use your e-commerce platform, transactional system, or CRM as the system of record for how much the action is worth. A marketing automation tool can make this easy for you.

Marketo Deal Storyboard, showing all the marketing interactions with a customer before a sale.

Step 3:
Distribute That Value across Your Successful Touches

In a multi-touch attribution scenario, you assign a value to each successful touch. Often, this is best done with simple distribution: if a consumer touched five marketing programs, each touch point gets 1/5th of the credit for the ultimate value.

As simple as that seems, it's often easier said than done, because most ESPs don't support such sophisticated analysis. But modern marketing automation solutions can do this right out of the box.
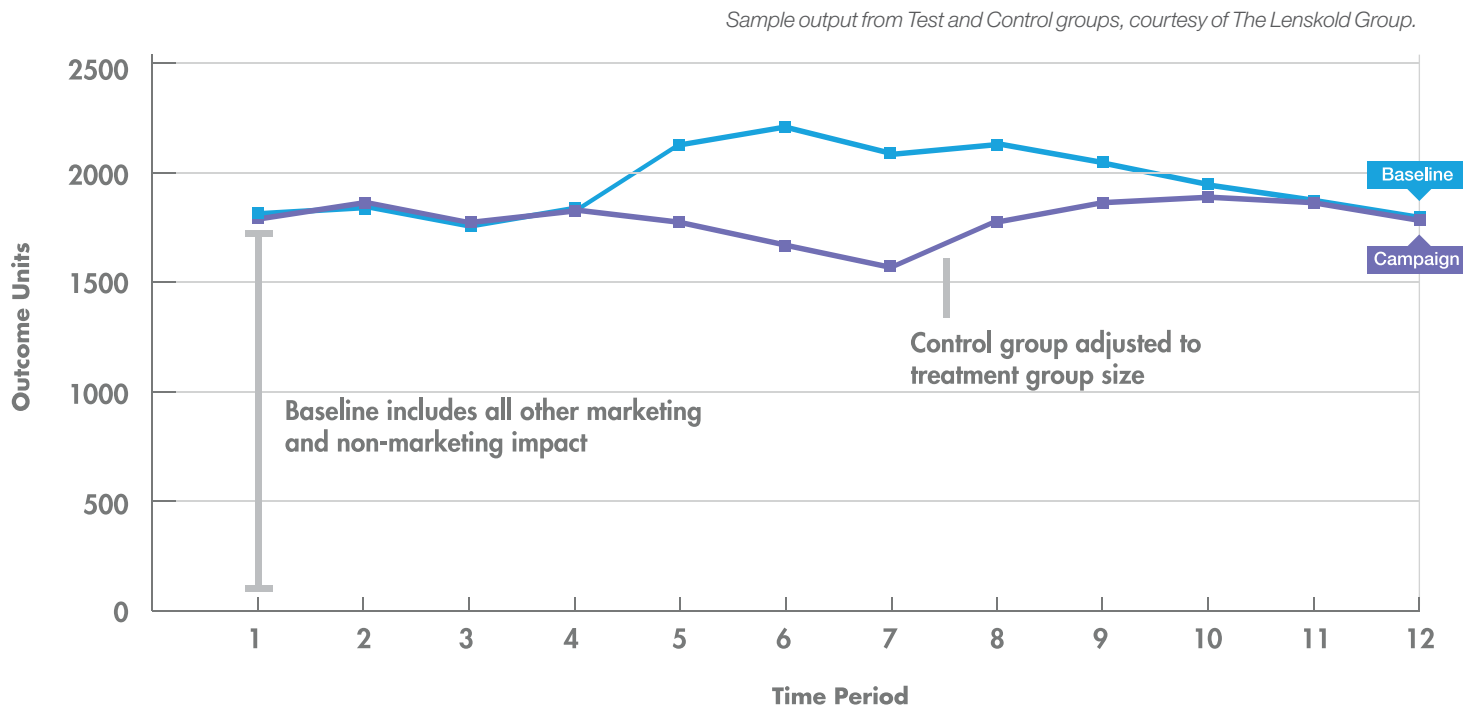
TRUE FINANCIAL METRICS

Test and Control

A/B testing can be used to find emails with the best open rate, but it can also be used more strategically to measure the impact of broad programs. Just divide your target buyer group into two homogenous groups, and apply a program to only one of these groups. All other factors being equal, you'll be able to attribute any difference in subsequent buyer behavior to the marketing effort.

The outcome metric you ultimately measure can be anything — revenue, profit, traffic, retention — or all of those things.

Measure Email Compared to Other Channels

One final, but critical point: Don't just measure the performance and ROI of your email against other emails; instead, compare the results and ROI against ALL channels. You might find that email outperforms other channels and you should invest MORE on email, or perhaps you'll find that in some cases LESS email investment is called for. The key point is to know what is working – and what isn't – across channels.

This sort of "marketing mix analysis" is an essential tool for a modern marketing department, but most ESPs are unable to provide for it. Since they're exclusively focused on email metrics, the best they can tell you is which of your emails should be sent more often.

For winning marketing across channels, you need a true omni-channel marketing solution that can help you measure and optimize your entire portfolio of marketing investments — not just email.

Sample output from Test and Control groups, courtesy of The Lenskold Group.

Baseline

Campaign

Control group adjusted to treatment group size

Baseline includes all other marketing and non-marketing impact

Outcome Units

Time Period

MARK BROWNLOW, WRITER & PUBLISHER AT EMAIL MARKETING REPORTS

Mark Brownlow is an email copywriter, business writer, and publisher at Email Marketing Reports. He has a focus on e-commerce and email marketing and contributes to many websites such as MarketingSherpa and MarketingProfs.

MKTO: What is your advice for creating engaging email marketing campaigns and content?

MB: There are lots of tools and tactics for ensuring that email marketing is FUNCTIONALLY very successful. For example, behavior-based and trigger emails still offer a lot of undiscovered potential: things like post-purchase follow-up messages, cart abandonment emails, emails customized to website browsing behavior, etc.

That all works and works well. But there's a reason I say "functionally" very successful. When you get locked into the tools and tactics mentality, you can lose sight of other opportunities that can keep your emails immune from the vast competition for subscriber attention (inside and outside the inbox).

It's a little old-fashioned, but it comes down to recalling that the recipient is not a number in a spreadsheet or an entry in a database, but a human (hopefully). And that human wants some kind of value in return for the time they spend on our emails.

That value can indeed be functional – a great deal, an insightful article, good advice. But there's value in personality too – engaging writing, clever design, creativity, humor, giving a platform to customers, sometimes giving value and asking for nothing in return. These are all things that help distinguish you from the competition when they're also offering a 15%-off everything sale.

MKTO: Looking into your crystal ball, what does email marketing look like 5-10 years from now?

MB: I have absolutely no idea. When I started online, AltaVista was THE search engine. Facebook wasn't even a gleam in Mark Zuckerberg's eye and mobile communication devices were pretty much exclusive to episodes of Star Trek. (And I'm not even that old.)

With the Internet so dynamic, predictions are hard (impossible really). The trick is to stay flexible and keep in mind that certain fundamentals don't change: you can dress up your messages however you like, but at the end of the day, delivering value is what counts for a lasting customer relationship.

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About Marketo:
Marketing Software.
Easy, Powerful, Complete.

Marketo (NASDAQ: MKTO) provides the leading cloud-based marketing software platform for companies of all sizes to build and sustain engaging customer relationships. Spanning today's digital, social, mobile and offline channels, the Marketo® solution includes a complete suite of applications that help organizations acquire new customers more efficiently, maximize customer loyalty and lifetime value, improve sales effectiveness, and provide analytical insight into marketing's contribution to revenue growth. Marketo's applications are known for their breakthrough ease-of-use, and are complemented by the Marketing Nation™, a thriving network of more than 150 LaunchPoint™ ecosystem partners and over 30,000 marketers who share and learn from each other to grow their collective marketing expertise. The result for modern marketers is unprecedented agility and superior results.

Headquartered in San Mateo, CA, with offices in Europe and Australia, Marketo serves as a strategic marketing partner to more than 2,500 large enterprises and fast-growing small companies across a wide variety of industries. For more information, visit: **www.marketo.com**.

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